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1. Astrakhan is a large high-sulphur gas field just north of the Caspian Sea. Contracts for a separation plant and gathering system were being discussed with Western firms in the late seventies. It was put on the back burner to concentrate on the Siberian pipeline.

2. With the Yamal project well in hand, the Soviets in recent months seem to have given the Astrakhan project top priority among cooperative energy projects with Western Europe.

- o Exploration is at an early stage, but early drilling results suggest reserves may be as large as 6 trillion cubic meters, nearly the size of Urengoy, the main West Siberian gas field.
- o The output of usable gas from this project could reach 3 billion cubic meters in 1985 and 30-60 billion cubic meters in 1990. This would be about 6-12 percent of current gas output.
- o A great deal of sulphur and carbon dioxide would also be produced as byproducts. Moscow could thereby reduce sulphur imports and reinject the carbon dioxide into old oil fields for enhanced recovery.
- o The gas would be used mainly to offset depletion of older fields in the Southern USSR. Some of it may be exported to Western Europe through the existing Orenberg pipeline. In any event it will free up gas for export from the Siberian fields.
- o Development of the gas is difficult because of the prevalence of corrosive and hazardous chemicals and the depth of the deposits.
- o It requires a great deal of Western equipment, made with special steel alloys--gathering lines, well casings, drill pipe, blowout preventors, valves, plumbing for processing plants--because sour gas corrodes Soviet equipment quickly.

3. Western bidding for equipment contracts has become a severe test of Allied willingness to cooperate on East-West economic issues

- o The Soviets have established a negotiating team in Cologne.
- o They are asking for bids for some \$1.5 billion worth of equipment. Additional purchases may follow.
- o French, Canadian, Japanese, German, Italian, U.K., and Austrian firms are competing for contracts. US firms may join in the bidding.
- o The Soviets are insisting on below market (7.8 percent) interest rates, and are skillfully playing the bidders against each other.

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